Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

AGRICULTURE AND AGRI-FOOD CANADA

Quarterly Financial Report
For the quarter ended December 31, 2014

Canada

AGRICULTURE AND AGRI-FOOD CANADA

Statement outlining results, risks and significant changes in operations, personnel and programs

Introduction

Agriculture and Agri-Food Canada's Quarterly Financial Report (QFR) should be read in conjunction with the Main Estimates for the current year, as well as Canada's Economic Action Plan 2014 (Budget 2014). This report has been prepared as required by section 65.1 of the ***Financial Administration Act*** and in the form and manner prescribed by the Treasury Board. As such, it also has not been subject to an external audit or review.

Detailed information on Agriculture and Agri-Food Canada's (AAFC) program activities can be found in the Report on Plans and Priorities.

Basis of Presentation

This quarterly report has been prepared using an expenditure basis of accounting. The accompanying Statement of Authorities includes the department's spending authorities granted by Parliament and those used by the department consistent with the Main Estimates for the 2014-2015 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

The department uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of fiscal quarter and fiscal year to date (YTD) results

Authorities

AAFC's QFR reflects the results of the current fiscal period ended December 31, 2014, for which full supply of Main Estimates was released on June 20, 2014, and the Supplementary Estimates (B) was released on December 17, 2014.

AAFC continues to undergo transformational change so that it is well positioned to continue to achieve excellence in policy development and advice, program delivery and scientific expertise in Canada's agricultural sector.

At the end of the third quarter of 2014-2015, AAFC had total funding available for use of $2,354.9 million as detailed in Table 1. This amount includes the 2014-2015 Main Estimates, Supplementary Estimates (B), Operating and Capital Budget Carry Forwards (OBCF and CBCF) from 2013-2014, allocations for Collective Agreements and proceeds collected from the sale of Crown assets. The decrease of $162.3 million compared to AAFC's total authorities at the same time in fiscal year 2013-2014 is mainly due to reductions in Vote 1 Net Operating expenditures and Vote 10 Grants and Contributions.

Vote 1 Net Operating authorities as of December 31, 2014, totalled $585.7 million, a decrease of $93.4 million from the December 31, 2013, amount of $679.2 million. This reduction is primarily due to Budget 2012 Implementation and the ending of the AgriFlexibility Program in 2014-2015. The remainder is due to the reduction in funding for AgriStability Program and the transfer to Canadian Food Inspection Agency (CFIA) to undertake activities to improve market access for Canadian agricultural products.

Vote 5 Capital authorities at the end of the third quarter of 2014-2015 totalled $33.4 million, a decrease of $1.5 million compared to the same quarter in 2013-2014.

Vote 10 Grants and Contributions authority available for use as of December 31, 2014, of $408.0 million reflects a net decrease of $39.9 million from $447.9 million at the same time in 2013-2014. The decrease is in large part due to reduced funding for the Canadian Wheat Board's Transition Costs Program which had larger amounts of funding in its first two years (2012-2013 and 2013-2014). The remainder of the decrease is a result of the reduction in Canadian Agricultural Adaptation Program (CAAP) funding and the completion of the AgriFlexibility Program.

Budgetary Statutory authorities available as at December 31, 2014, were $1,327.8 million, a decrease of $27.5 million from the December 31, 2013, amount of $1,355.2 million. This decrease reflects a revised reduced forecast for the Advance Payments Program under the Agricultural Marketing Programs Act due to lower than expected interest rates in addition to

lower than expected default rates. The remainder is a result of a decrease in planned contributions to employee benefit plans resulting from a decline in the number of full-time employees.

Graph 1: Comparison of Authorities Available for Use

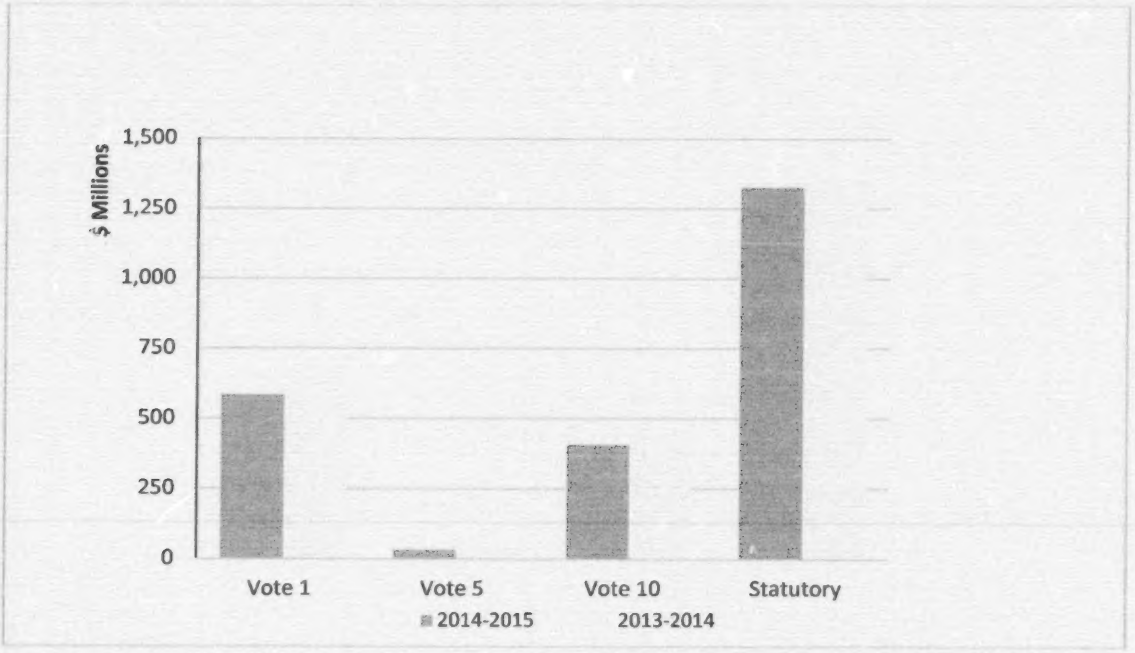

Table 1: Authorities Available for Use (In thousands of dollars) (1)

Authorities	2014-15	2013-14	Variances	%
Vote 1 - Net Operating expenditures	585,739	679,175	(93,436)	(14%)
Vote 5 - Capital expenditures	33,376	34,849	(1,473)	(4%)
Vote 10 - Grants and contributions	408,014	447,925	(39,911)	(9%)
Budgetary statutory authorities	1,327,769	1,355,247	(27,478)	(2%)
Total Authorities	**2,354,898**	**2,517,196**	**(162,298)**	**(6%)**

Note:
(1) Totals may not add due to rounding.

Expenditures

As detailed in Table 2, at the end of the third quarter of 2014-2015, the department had spent $1,018.4 million, compared to $1,215.3 million for the same period in fiscal year 2013-2014. The net decrease of $196.9 million (16%) is related to decreased statutory contribution payments for the AgriInsurance Program, reduced grant payments for the AgriInvest Program, and a decrease in payments in connection with the Agricultural Marketing Programs Act. The remainder of the decrease can be attributed to a decline in salaries and payments for liquidation of severance pay.

Vote 1 Net Operating expenditures at the end of the third quarter were $382.1 million, which is 65% of the total $585.7 million available for use. This is $57.2 million lower than the same period last fiscal year (when $439.3 million was spent, which was 65% of the total of $679.2 million available for use). The decrease in net expenditures is a result of reduced costs associated with payments for liquidation of severance pay, as well as lower payments in salaries due to fewer employees in 2014-2015, compared to the same period in 2013-2014.

Vote 5 Capital expenditures at the end of the third quarter were $8.8 million or 26% of the total of $33.4 million available for use. Compared to the same period in 2013-2014 ($13.7 million or 39% of the budget of $34.9 million), the decrease of $4.9 million is due to the cyclical nature of Capital expenditures.

Vote 10 Grants and Contributions expenditures at the end of the third quarter of 2014-2015 were $126.4 million or 31% of the total of $408.0 million available for use. The previous year's spending was $90.5 million or 20% of the total of $447.9 million available for use. The increase of $35.9 million in expenditures to date is mainly due to higher expenditures under Growing Forward 2 (GF2), which is now in its second year of the five year framework.

Budgetary Statutory Authorities expenditures at the end of the third quarter of 2014-2015 were $501.2 million compared to $671.9 million for the same period previous year. The decrease in spending of $170.7 million is partly related to a decrease in payments under the AgriInsurance Program, due to lower commodity prices, and partly related to reduced payments under the AgriInvest Program, due to lower matching contributions. The remainder of the decrease is related to a decrease in payments under the Agricultural Marketing Programs Act, due to a change to the timing for recording amounts related to files that have been received but not yet verified.

Graph 2: Comparison of Expenditures

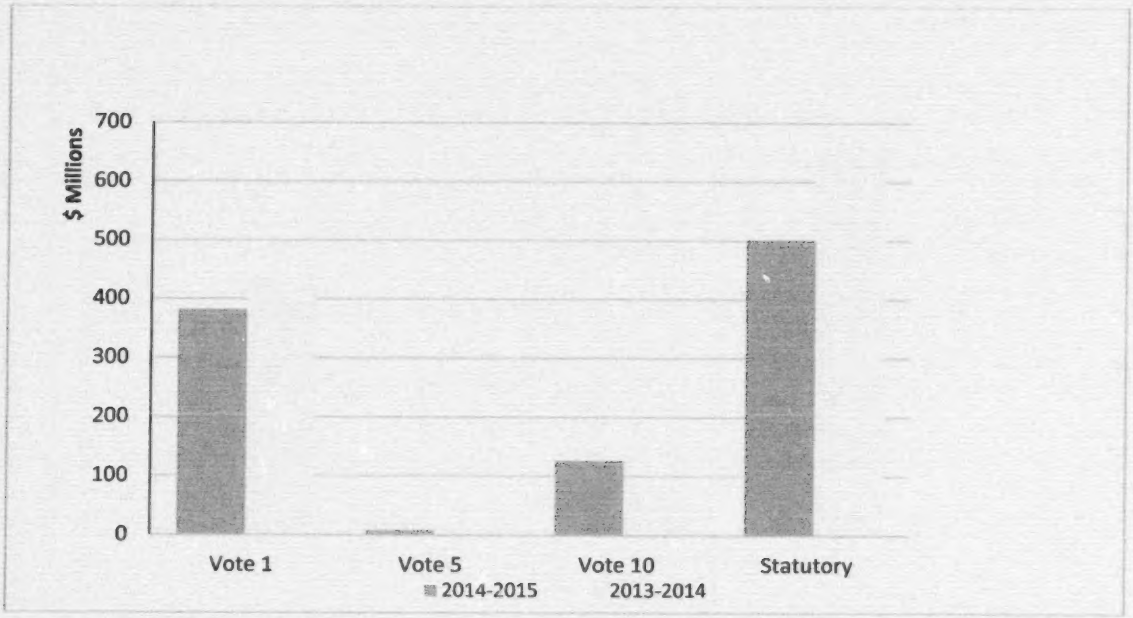

Table 2: Expenditures (In thousands of dollars) (1)

Expenditures	2014-15	2013-14	Variances	%
Vote 1 - Net Operating expenditures	382,081	439,289	(57,208)	(13%)
Vote 5 - Capital expenditures	8,769	13,666	(4,897)	(36%)
Vote 10 - Grants and contributions	126,382	90,478	35,904	40%
Budgetary statutory authorities	501,198	671,897	(170,699)	(25%)
Total Net Budgetary Expenditures	**1,018,430**	**1,215,330**	**(196,900)**	**(16%)**

Note:
(1) Totals may not add due to rounding.

Expenditures in Comparison to Authorities

At the end of the third quarter of 2014-2015, the department had spent $1,018.4 million (43% of the authorities), compared to $1,215.3 million for the same period in fiscal year 2013-2014 (48% of the authorities).

Graph 3: Comparison of Total Authorities and Total Net Budgetary Expenditures as of December 31, for fiscal years 2014-2015 and 2013-2014

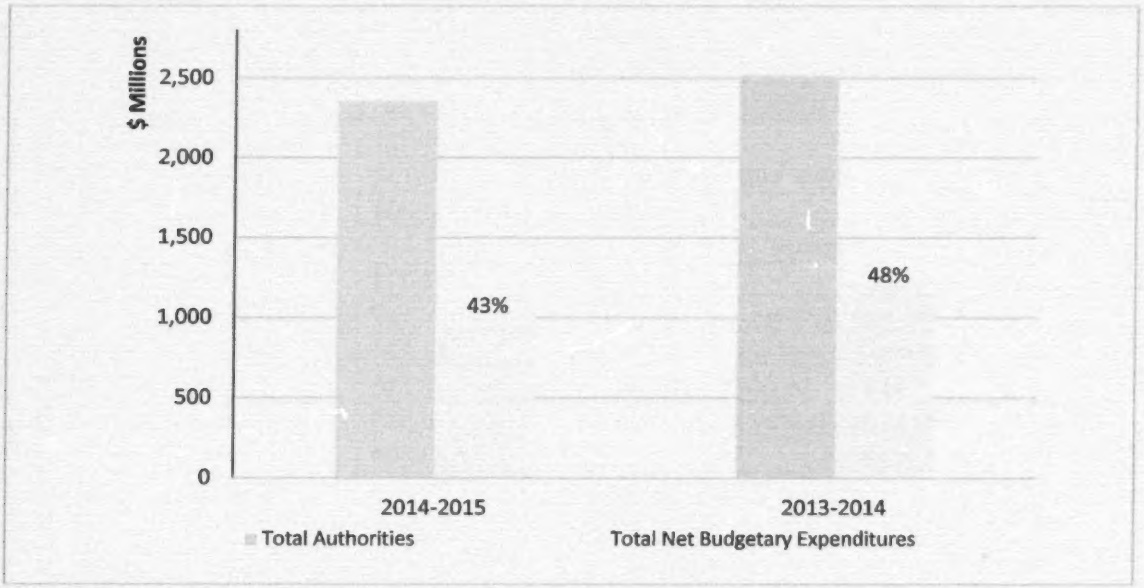

Table 3 presents budgetary expenditures by standard object. The main variance in expenditures between 2014-2015 and 2013-2014 by standard object is in transfer payments, with a decrease of $129.8 million or 18%, of which the majority is related to the statutory expenditure decrease as previously noted for the AgriInsurance Program, AgriInvest Program and Agricultural Marketing Programs Act. For personnel, the decrease of $66.7 million is mainly a result of lower payments in salaries due to fewer employees, as well as reduced costs associated with payments for liquidation of severance pay. The increase of $15.4 million for other subsidies and payments is mainly due to the recording of a one-time transition payment of $14.1 million for implementing salary payment in arrears by the Government of Canada. For the other standard objects, variances compared to the third quarter of 2013-2014 reflect timing of payments rather than significant changes in spending patterns.

AAFC has total Revenue Spending authority of up to $65.5 million for 2014-2015. The revenue is generated from collaborative research agreements between AAFC and third parties, the grazing

and breeding activities of the Community Pastures Program, the administration of the AgriStability Program, as well as recoveries for costs related to Internal Support Services provided to other departments. The department has generated $50.4 million in revenues up to the end of the third quarter of 2014-2015 compared to $42.4 million for the same period last year. The revenue increase of $8.0 million is a result of an increase in the number of research collaborative agreements under the AgriInnovation Program of Growing Forward 2 (GF2), compared to 2013-2014, as well as from a new Services Agreement with Environment Canada and additional Information Technology (IT) projects with Canadian Food Inspection Agency for the provision of Internal Services.

Table 3: Budgetary Expenditures by Standard Object (In thousands of dollars) (1)

Expenditures	2014-15	2013-14	Variances	%
Personnel	356,511	423,226	(66,715)	(16%)
Transportation and communications	6,758	8,844	(2,086)	(24%)
Information	2,001	3,000	(999)	(33%)
Professional and special services	61,107	65,571	(4,464)	(7%)
Rentals	2,021	2,226	(205)	(9%)
Repairs and maintenance	9,167	8,499	668	8%
Utilities, materials and supplies	22,124	21,868	256	1%
Acquisition of land, buildings and works	1,715	2,377	(662)	(28%)
Acquisition of machinery and equipment	9,510	9,814	(304)	(3%)
Transfer payments	575,094	704,860	(129,766)	(18%)
Other subsidies and payments	22,824	7,442	15,382	207%
Total Gross Budgetary Expenditures	**1,068,832**	**1,257,727**	**(188,895)**	**(15%)**
Less: Revenues netted against expenditures	50,402	42,397	8,005	19%
Total Net Budgetary Expenditures	**1,018,430**	**1,215,330**	**(196,900)**	**(16%)**

Note:
(1) Totals may not add due to rounding.

Risks and Uncertainties

In a continuing effort to contain administrative costs across the government, Budget 2014 reintroduced a two year operating budget freeze. Operating budgets for all government departments and agencies have been frozen at 2014-2015 levels and are in effect until March 31, 2016. As a result, departments and agencies are required to absorb the cost of wage increases that take effect after April 1, 2014.

AAFC manages financial uncertainty associated with the sunsetting of specific time-limited programs, and statutory programs that are demand driven based on market and environmental conditions beyond the department's direct control.

AAFC mitigates its financial risks through the conduct of a monthly analysis of trends and forecasting of all expenditures. Risk management continues to be a key factor in managing financial resources in the department.

Significant changes in relation to operations, personnel and programs

Operations

In addition to Budget 2012 Implementation activities discussed below, in May 2013, AAFC announced further changes which continued its transformation agenda and identified efficiencies to allow it to operate within a reduced budget envelope and with fewer employees in future years.

In line with the transformation initiatives already underway, those changes include: adjusting the way we deliver internal services to find further efficiencies; reducing management layers and streamlining functions within the organization; focusing what we do on the global stage to generate market growth; and consolidating expertise to focus our science and research on the highest priorities for the sector's success.

Personnel and programs

Ms. Jane Taylor was appointed to the position of Assistant Deputy Minister, Public Affairs Branch, effective November 10, 2014.

Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that are being implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce the back office.

AAFC has achieved annual savings of $253.2[1] million by realigning its business in the following ways:

- Advancing our service excellence agenda, by consolidating all programs into a single Programs Branch.

[1] The achieved annual savings of $253.2 million by 2014-2015 is the total savings of $252.8 million for AAFC, as well as $0.1 million for the Canada Agricultural Review Tribunal (CART) and $0.3 million for Farm Products Council of Canada (FPCC).

- Establishing a new Science and Technology Branch by putting together our research, science and environmental efforts, to better facilitate innovation, technology transfer and adoption.
- Achieving greater policy integration across the department to improve our advice and analysis.
- Aligning programs and services to meet priorities.
- Continuing to look at ways with our provincial and territorial partners to improve farm income programming.

This approach builds on steps already taken by AAFC to help position itself to meet its future goals and priorities, while contributing to the Government of Canada's return to a balanced budget.

Approval by Senior Officials
Approved by:

Andrea Lyon, Deputy Head

Ottawa, Canada

February 23, 2015

Pierre Corriveau, Chief Financial Officer

AGRICULTURE AND AGRI-FOOD CANADA
Statement of Authorities *(unaudited)*
For the quarter ended December 31, 2014
(In thousands of dollars)

	Fiscal year 2014-2015 [1]			Fiscal year 2013-2014 [1]		
	Total available for use for the year ending March 31, 2015 [2][4]	Used during the quarter ended December 31, 2014 [5]	Year to date used at quarter-end [5]	Total available for use for the year ended March 31, 2014 [2]	Used during the quarter ended December 31, 2013	Year to date used at quarter-end
Vote 1 - Net Operating expenditures	$ 585,739	$ 119,065	$ 382,081	$ 679,175	$ 139,785	$ 439,289
Vote 5 - Capital expenditures	33,376	4,757	8,769	34,849	8,599	13,666
Vote 10 - Grants and contributions	408,014	78,441	126,382	447,925	40,393	90,478
Budgetary statutory authorities [3]	1,327,769	270,021	501,198	1,355,247	381,132	671,897
Total Budgetary authorities	2,354,898	472,284	1,018,430	2,517,196	569,909	1,215,330
Total authorities	$ 2,354,898	$ 472,284	$ 1,018,430	$ 2,517,196	$ 569,909	$ 1,215,330

Notes:

(1) Totals may not add due to rounding.
(2) Includes only Authorities available for use and granted by Parliament at quarter-end.
(3) Details on Budgetary statutory authorities are included in Appendix A.
(4) Pursuant to s. 31.1 of the Financial Administration Act and Order-in-Council P.C. 2014-1106 effective November 1, 2014, $0.1 million is deemed to have been appropriated to the Administrative Tribunals Support Services of Canada, Vote 1 and Budgetary statutory authority, resulting in a reduction of the same amount in Agriculture and Agri-Food Canada, Vote 1 and Budgetary statutory authority, Appropriation Act No.4, 2014-2015. This amount, however, is reported as part of the department's results for the quarter ended December 31, 2014.
(5) As at December 31, 2014, $0.1 million of expenditures have been incurred on behalf of Administrative Tribunals Support Services of Canada by Agriculture and Agri-Food Canada against Administrative Tribunals Support Services of Canada Vote 1 and Budgetary statutory authority. This amount, however, is reported as part of the department's results for the quarter ended December 31, 2014.

AGRICULTURE AND AGRI-FOOD CANADA

Departmental budgetary expenditures by Standard Object *(unaudited)*

For the quarter ended December 31, 2014

(In thousands of dollars)

	Fiscal year 2014-2015 [1]			Fiscal year 2013-2014 [1]		
	Planned expenditures for the year ending March 31, 2015 [2]	Expended during the quarter ended December 31, 2014 [3]	Year to date used at quarter-end [3]	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended December 31, 2013	Year to date used at quarter-end
Expenditures:						
Personnel	$ 499,406	$ 112,199	$ 356,511	$ 553,771	$ 134,170	$ 423,226
Transportation and communications	14,581	2,688	6,758	25,982	3,301	8,844
Information	7,799	521	2,001	9,114	1,407	3,000
Professional and special services	122,742	25,917	61,107	136,574	29,844	65,571
Rentals	4,935	793	2,021	5,276	946	2,226
Repair and maintenance	19,315	2,601	9,167	30,278	2,981	8,499
Utilities, materials and supplies	53,472	8,549	22,124	59,515	9,301	21,868
Acquisition of land, buildings and works	4,820	864	1,715	5,809	1,035	2,377
Acquisition of machinery and equipment	28,955	4,398	9,510	29,039	3,598	9,814
Transfer payments	1,653,298	329,989	575,094	1,713,871	401,928	704,860
Other subsidies and payments	11,055	5,811	22,824	14,238	2,951	7,442
Total gross budgetary expenditures	2,420,378	494,330	1,068,832	2,583,467	591,462	1,257,727
Less Revenues netted against expenditures:						
Vote-netted revenues	65,480	22,046	50,402	66,271	21,553	42,397
Total Revenues netted against expenditures	65,480	22,046	50,402	66,271	21,553	42,397
Total net budgetary expenditures	$ 2,354,898	$ 472,284	$ 1,018,430	$ 2,517,196	$ 569,909	$ 1,215,330

Note:

(1) Totals may not add due to rounding.

(2) Pursuant to s. 31.1 of the Financial Administration Act and Order-in-Council P.C. 2014-1106 effective November 1, 2014, $0.1 million is deemed to have been appropriated to the Administrative Tribunals Support Services of Canada, Vote 1 and Budgetary statutory authority, resulting in a reduction of the same amount in Agriculture and Agri-Food Canada, Vote 1 and Budgetary statutory authority, Appropriation Act No.4, 2014-2015. This amount, however, is reported as part of the department's results for the quarter ended December 31, 2014.

(3) As at December 31, 2014, $0.1 million of expenditures have been incurred on behalf of Administrative Tribunals Support Services of Canada by Agriculture and Agri-Food Canada against Administrative Tribunals Support Services of Canada Vote 1 and Budgetary statutory authority. This amount, however, is reported as part of the department's results for the quarter ended December 31, 2014.

AGRICULTURE AND AGRI-FOOD CANADA
Budgetary Statutory Authorities Breakdown (unaudited)
For the quarter ended December 31, 2014
(In thousands of dollars)

APPENDIX A

	Fiscal year 2014-2015 [1]			Fiscal year 2013-2014 [1]		
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended December 31, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended December 31, 2013	Year to date used at quarter-end
Contributions to employee benefit plans	$ 69,965	$ 17,397	$ 52,209	$ 81,836	$ 19,159	$ 57,476
Contributions to employee benefit plans (Administrative Tribunals Support Service of Canada)	-	9	9	-	-	-
Minister of Agriculture and Agri-Food - Salary and motor car allowance	80	20	60	79	20	59
Contribution payments for the AgriStability program	219,300	1,260	(14,079)	219,300	(1,873)	(10,332)
Contribution payments for the AgriInsurance program	640,800	205,414	324,133	640,800	284,608	390,167
Grant payments for the AgriInvest program	126,200	38,434	122,113	126,200	57,760	174,961
Payments in connection with the *Agricultural Marketing Programs Act*	65,900	4,900	12,831	94,000	13,587	49,937
Grant payments for the AgriStability program	41,000	(2,659)	(4,029)	41,000	(3,463)	(7,142)
Contribution payments for the AgriInvest program	17,500	12,255	17,294	17,500	14,863	21,223
Loan guarantees under the *Canadian Agricultural Loans Act*	13,111	(9)	(56)	13,111	(7)	(26)
Canadian Cattlemen's Association Legacy Fund	2,860	-	-	2,500	-	-

AGRICULTURE AND AGRI-FOOD CANADA
Budgetary Statutory Authorities Breakdown (unaudited)
For the quarter ended December 31, 2014
(In thousands of dollars)

APPENDIX A

	Fiscal year 2014-2015 [1]			Fiscal year 2013-2014 [1]		
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended December 31, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended December 31, 2013	Year to date used at quarter-end
Contributions in support of the Assistance to the Pork Industry Initiative	-	(7,532)	(8,209)	635	(3,686)	(3,686)
Grants to agencies established under the *Farm Products Agencies Act*	100	-	-	100	-	-
Contribution payments for the Agricultural Disaster Relief Program (ADRP)/AgriRecovery	118,513	-	-	110,800	58	197
Grant payments for the Agricultural Disaster Relief Program (ADRP)/AgriRecovery	-	-	-	-	-	13
Canadian Pari-Mutuel Agency Revolving Fund	34	(511)	(2,457)	(421)	(668)	(2,315)
Spending of Amounts Equivalent to Proceeds from Disposal of Surplus Moveable Crown Assets	12,406	1,560	2,665	7,808	1,087	2,291
Grant payments for the AgriInvest Kickstart program	-	(17)	(41)	-	-	(3)
Contribution payments for the AgriInvest Kickstart program	-	-	(6)	-	-	-
Refunds of amounts credited to revenues in previous years	-	-	1	-	-	4
Contributions for agricultural risk management - Enhanced Spring Credit Advance program Business Risk Management	-	(102)	(422)	-	(213)	(553)
Class grant payments for the Transitional Industry Support program	-	(7)	(10)	-	(2)	(8)

AGRICULTURE AND AGRI-FOOD CANADA
Budgetary Statutory Authorities Breakdown (unaudited)
For the quarter ended December 31, 2014
(In thousands of dollars)

APPENDIX A

	Fiscal year 2014-2015 [1]			Fiscal year 2013-2014 [1]		
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended December 31, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended December 31, 2013	Year to date used at quarter-end
Class grant payments for the Farm Income program	-	(1)	(1)	-	-	(3)
Grant payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative	-	(86)	(121)	-	(31)	(129)
Contribution payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative	-	(296)	(670)	-	(46)	(202)
Grants in support of the Grain and Oilseed Payment program	-	(6)	(13)	-	(16)	(26)
Grants in support of the Cost of Production Benefit	-	(2)	(3)	-	(5)	(6)
Budgetary statutory authorities	$ 1,327,769	$ 270,021	$ 501,198	$ 1,355247	$ 381,132	$ 671,897

Note:

(1) Totals may not add due to rounding.